

Location Choice of Chinese Enterprises ' Outbonding Direct Investment— Based on Heterogeneity and Host Country Factors

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Abstract: With the severe impact of the COVID-19 epidemic, the world economy has shown a downward trend. While strictly implementing epidemic prevention and control, China has actively implemented major decisions to promote economic development, and still achieved positive economic growth. In order to avoid blind investment and improve investment efficiency, it is particularly important to choose the location to obtain the expected investment income. From the perspective of enterprise heterogeneity and host country factors, this paper summarizes the characteristics of location choice of Chinese enterprises' foreign direct investment, and digs out the laws behind it. The research shows that enterprise heterogeneity can positively promote enterprises' foreign investment activities. The institutional location factors and economic location factors included in the host country factors are also important references for enterprises to choose the location and country of foreign direct investment.

1. Introduction

In 2020, affected by the general situation of the new corona pneumonia epidemic, the world economy received a serious impact, showing negative growth for the first time since 2009, showing a shrinking trend. While implementing the prevention and control of the epidemic, China has actively implemented major decisions to promote economic and social development, and has achieved rare positive economic growth in major global economies. With the gradual improvement of the global value chain system, Chinese enterprises firmly seize the opportunities for the development of foreign investment, and actively expand overseas business. Nevertheless, due to its late start and small scale, there are still some problems in the development of China's foreign investment, and its absolute advantage is not obvious compared with that of developed countries. Therefore, in order to avoid blind investment, how to choose the location and country of foreign investment, so as to maximize economic benefits, is a question that deserves our consideration. This paper studies the impact of enterprise heterogeneity and host country factors on China's foreign direct investment location choice, which has rich theoretical and practical significance.

2. Current Situation of China' Foreign Outbonding Investment

With the advent of globalization, China has followed the trend of the times and played an important role in the division of labor in the global value chain. The international investment has developed rapidly, and the flow and stock of China's foreign investment ranks among the top in the world, with the total amount of investment constantly expanding and the achievements made are remarkable.

2.1. Regional Concentration

According to the country statistics of enterprises' foreign investment in the Statistical Bulletin of China's Foreign Direct Investment in 2020, according to the number and proportion of overseas enterprises established by Chinese enterprises in the host country, Asia has the largest number of established enterprises, with the number of overseas enterprises exceeding 26,000, accounting for more than half; There are more than 6,000 overseas enterprises in North America, accounting for 13.5%; Then came Africa, Latin America and Oceania. From the perspective of countries, the number of enterprises set up in the top 20 countries or regions in China exceeds 3.04 million, accounting for 76.4% of the total number of enterprises set up. Therefore, we can see that the location and country distribution of enterprises' transnational investment choices are concentrated.

2.2. Strong and Active Momentum of Investment

By consulting the Statistical Bulletin of China's Foreign Direct Investment in 2020, at the end of 2020, the number of domestic investors in China reached a peak of 2.08 million, among which, although the proportion of limited liability companies decreased compared with last year, it was still very active, accounting for 34.3%; Private enterprises ranked second, accounting for 29.9%; Limited by Share Ltd ranked third, accounting for 12.8%; The status of state-owned enterprises is still very stable, accounting for 5.3%. Therefore, we conclude that at present, among the enterprises that have the ability to expand their foreign investment business, limited liability companies and private enterprises are gaining momentum rapidly, while state-owned enterprises still occupy a relatively important proportion, and their investment activities are active.

2.3. Great Potential for Technology-intensive and Labor-intensive enterprises

According to the data of Statistical Bulletin of China's Foreign Direct Investment in 2020, we can see the distribution of domestic investors. Manufacturing remains the largest and most important investor, accounting for about 30%; the wholesale and retail trade took the second place, accounting for nearly 24%, and leasing and business services ranked third, accounting for 12.8% of the total. After querying the database of China's industrial enterprises, according to the national economic industry classification criteria, these industries are classified into four categories, namely labor-intensive, technology-intensive, capital-intensive and resource-intensive. From this, we can judge that China's foreign investment enterprises mainly invest in technology-intensive enterprises, and labor-intensive enterprises have great development potential.

3. Factors influencing the Location Choice of China's Outbonding Direct Investment

From the perspective of enterprise heterogeneity and host country factors, this paper explores the influencing factors of foreign direct investment decisions of Chinese enterprises. For enterprise heterogeneity, we use indicators such as enterprise productivity, enterprise scale, enterprise

ownership nature, R & D investment, enterprise profitability and capital intensity to measure. For the host country factors, we divide them into two categories: institutional factors and economic factors. The institutional factors study the impact of institutional environment on the decision-making of China's transnational investment enterprises from the perspective of politics, culture and economy. The economic location factors start from the motivation of overseas investment of investment enterprises, according to different measurement indicators to explain the factors that enterprises consider when making cross-border investment choices.

3.1. Enterprise Heterogeneity

From the micro level, enterprise heterogeneity plays an important role in the location choice of foreign direct investment. Among the selected indicators, we select several representative indicators, namely, enterprise productivity, enterprise scale and enterprise ownership nature.

3.1.1. Enterprise Productivity

Before foreign direct investment, enterprises will give priority to their own productivity. Enterprises strive to improve productivity, and their own strength is increasing. The competitive advantage in the market is becoming more and more obvious, so they can invest in countries or regions with larger markets. If the productivity of enterprises is low and the market competition is fierce, it is difficult to obtain economies of scale and scope in the market. In the long run, it is the best choice to invest in countries or regions with small markets. [1]

3.1.2. Enterprise Size

The scale of China's overseas investment enterprises is significantly higher than that of enterprises only relying on the domestic market, and the larger the scale of the enterprise investment target country is more dispersed, can invest in more countries. It can be seen that there is a positive relationship between enterprise scale and overseas investment, that is, the larger the enterprise scale, the more the number of overseas direct investment, the more and more scattered the countries or regions invested.[2]

3.1.3. Nature of Ownership of Enterprises

In the initial stage of China's foreign investment, most state-owned enterprises have the strength to make transnational direct investment, while the non-state-owned enterprises choose to make transnational direct investment. Specifically, state-owned enterprises are more likely to invest in countries with rich natural resources and unstable political environment due to their policies and resource advantages, while private enterprises will not take such risks and often choose to invest abroad in countries or regions with great market potential.

3.2. Host Country Factors

From the macro level, host country factors also play an important role in the location choice of foreign direct investment. We start from two aspects of institutional factors and economic factors. Institutional location factors analyze the macro environment of transnational operation of enterprises from three dimensions of politics, culture and economy, and determine whether transnational enterprises can obtain legal status and sustainable operation. Economic factors and investment motives are closely related. According to different investment motives, find out the relevant factors and analyze their influence on China's foreign direct investment. [3]

3.2.1. Institutional Location Factors

From the perspective of political system, enterprises choosing the host country for transnational investment has a great relationship with the political environment of the host country. The political environment of the host country is stable, and the investment enterprises encounter fewer obstacles in the process of operation, which is more attractive to investment enterprises.

From the perspective of cultural system, due to the different social traditions and customs of various countries, people's cognitive views and values are different. Therefore, if there is a big cultural differences between the host country and that country, there will be more obstacles, and it is unlikely that the invested enterprises will survive and continue to operate in the host country.

From the perspective of economic system, it is simply a large business environment. The more perfect the market system of the host country is, the higher the market freedom is, and the greater the possibility of attracting foreign investors to build factories locally is. The economic system directly determines the degree of intervention and restriction of investors by the environment.

3.2.2. Economic Location Factors

Starting from investors' investment motives, we divide these influencing factors into four categories.

Enterprises motivated by market seeking often consider the market size and market potential of the host country. On the one hand, the larger the market size, enterprises have more discourse power and initiative in the host country market, can the more effectively avoid trade barriers. On the other hand, market potential represents market demand to a certain extent, and can also be used as a consideration for enterprises to seek market.

Enterprises motivated by resource seeking will put natural resource endowment in the first place. Natural resource endowment is usually the primary factor to be considered by resource enterprises. Foreign direct investment in countries with rich natural resources is an important way for countries to obtain natural resources. [4]

Enterprises motivated by efficiency seeking often consider the labor cost and market entry cost of the host country. On the one hand, the purpose of building factories outside is to reduce labor costs. Hiring relatively cheap foreign labor can effectively reduce product costs, and thus gain price advantage ; on the other hand, the higher the cost of investors entering the host market, the longer the approval time, the less likely to attract overseas investment.

Enterprises motivated by strategic resource seeking will examine the strategic resource endowment of the host country. If the strategic resources of the host country are what we need, then enterprises will make investment decisions. Choosing countries with strong innovation ability to invest is conducive to learning advanced production technology and management methods, thus promoting the development of China's high-tech and international popularity.[5]

4. Conclusions

This paper explores the location choice of enterprises ' foreign direct investment from the perspective of enterprise heterogeneity factors and host country factors. The main conclusions are as follows : At the micro level, from the perspective of enterprise heterogeneity factors, including enterprise productivity and enterprise scale, it will have a positive effect on enterprises ' foreign direct investment decision-making, that is, the improvement of enterprise productivity, the expansion of enterprise scale, the improvement of R & D investment and capital intensity will increase the frequency of enterprises ' foreign direct investment activities to a certain extent . At the macro level, from the perspective of host country factors, in terms of institutional location factors,

investment enterprises tend to invest in countries with stable political environment, relatively small cultural differences and better business environment. In terms of economic location factors, countries with large market size and market potential, rich natural resources, low labor costs and market entry costs and good strategic resources are more attractive to China's investment enterprises.

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